



Actions and agreements

23 June 2022

Location: MS Teams

PRESENT

Joanne Livingstone	SAB Chair
Philip Hayes	Scheme Member Representative (FRSA)
Pete Smith	Scheme Member Representative (FBU)
Andrew Scattergood	Scheme Member Representative (FBU)
Mark Rowe	Scheme Member Representative (FBU)
Tony Curry	Scheme Member Representative (FBU)
Des Prichard	Scheme Member Representative (FLA)
Glyn Morgan	Scheme Member Representative (FOA)
Cllr Nikki Hennessy	Scheme Employer Representative (LGA)
Cllr Roger Phillips	Scheme Employer Representative (LGA)
Janet Perry	Scheme Employer Representative (LGA)
Cllr Roger Price	Scheme Employer Representative (LGA)
Cllr Leigh Redman	Scheme Employer Representative (LGA)
Cllr Ian Stephens	Scheme Employer Representative (LGA)
Helen Scargill	Technical Adviser
Craig Moran	First Actuarial
James Allen	First Actuarial
Samantha Watts	GAD
Brian Allan	GAD
Matthew Armitage	Heywood Pension Technologies [Item 9]
Tim Hill	Heywood Pension Technologies [Item 9]
Jenny Gregory	Civica [Item 9]

Claire Hey	LGA – Board secretariat
Elena Johnson	LGA – Firefighter Pension Advisor (Minutes)
Frances Clark	Home Office
Joshua Goodkin	Home Office
Tantara Fox-Stillwell	Home Office
Anthony Mooney	Home Office
Helen Fisher	Home Office
Jane Marshall	Legal Adviser
Alan Wilkinson	SPPA (Observer)

1. Introductions, apologies, and conflict of interest

- 1.1 Roger Hirst (RH) sent his apologies and was substituted by Janet Perry.
- 1.2 Joanne Livingstone (JL) welcomed new members to the group: Tony Curry (TC) from the FBU, Andrew Scattergood from the FBU, Tantara Fox-Stillwell (TF) joining the meeting for the first time. JL also welcomed Elena Johnson (EJ) who has joined LGA recently.
- 1.3 JL asked everyone to introduce themselves.
- 1.4 JL thanked Brian Hooper and Matt Lamb for their service on the SAB.
- 1.5 JL reminded members of the Board to declare if any new conflict has arisen. It was confirmed that there is no requirement for forms to be completed. No conflicts were declared.

2. Actions arising (24 March) and Chair's update

- 2.1 JL confirmed that the minutes from the meeting held on 9 December 2021 have been finalised. JL asked if the minutes for the meeting of 24 March 2022 can be agreed.

- 2.2 JL went through actions arising and noted that certain aspects will appear later in the agenda. There will be a need for a working group in respect of Matthews and ill-health. A project implementation document on Matthews will be circulated by the Secretariat. JL confirmed that it will be necessary to fill the positions on those working groups. It was agreed that closed actions can include the response to HMT on prospective regulations and the issuing of abatement guidance, as well as publication of the SAB's letter to HM Treasury (HMT) on withdrawal of the immediate detriment guidance
- 2.3 JL confirmed that the video procurement is in progress and that software providers are on the agenda later in the meeting.
- 2.4 Claire Hey (CH) confirmed that Craig Moran (CM) had requested some minor amendments to the minutes of 24 March 2022 which would be incorporated into the final version. No other amendments had been requested and the minutes were agreed and will be published.
- 2.5 JL provided the Board with a Chair's update and confirmed the following:
- 2.5.1 JL attended the CIPFA pension board training session, which she said were very useful on several issues, including cyber security. JL said that she was pleased that EJ was now on board to help with governance. JL confirmed that training will be discussed and that these sessions are useful to attend.
- 2.5.2 JL explained that there are several meetings coming up to discuss the provision definition documents (PDDs) with regards to remedy. The Fire SAB is involved in this along with Police SAB and there are representatives from the Scottish SAB as well. On 24 June 2022, the first session was taking place. JL said that it was important to get the scheme specific details correct.

- 2.5.3 JL explained that she had written back to HMT following their response to her letter of 17 December 2021. This was because the SAB felt that further explanation was required from HMT as the letter did not supply the required legal advice or technical detail needed. JL said that this was to try and keep things moving forward.
- 2.5.4 JL explained that observer's access to SAB meetings had been restricted temporarily but that Alan Wilkinson (AW) from SPPA had been invited along for the purpose of providing an insight into the impact of commutation changes in Scotland. JL indicated that this would allow SAB to understand any issues with this, potentially commission further work from GAD and to consider putting forward a business case. JL confirmed that the group would hear from AW later in the meeting and on that basis asked that he should remain for the whole meeting. Members agreed.
- 2.5.5 Philip Hayes (PH) asked if the meeting on PDDs was open to all SAB members. Claire Hey (CH) confirmed that all Board members are invited and are encouraged to attend. JL said that she thought it was important to attend this and that there may be the need to go back to the committees afterwards.

3. Home Office update

- 3.1 Frances Clark (FC) provided an update on Matthews and McCloud.
- 3.2 FC thanked those involved in turning the Matthews MoU into a policy.
- 3.3 FC confirmed that Home Office has now instructed lawyers and will be working with them to help draft the regulations. FC confirmed that it may be a while before they can share any legal material with the group due to summer holidays and the complex nature of this subject.

- 3.4 FC confirmed that the Home Office continues to work closely with the LGA, and a project management group has been set up to work on Matthews. Through the LGA, FRAs have been providing data which will show who is eligible for the Matthews exercise.
- 3.5 FC confirmed that there is an outstanding issue in respect of the MoU on aggregation. Home Office lawyers are in discussion with the FBU around this issue. Once further details of the cases involved are known then the Home Office will be able to look at this issue further.
- 3.6 FC confirmed that in summary there has been good progress on Matthews, but the subject remains complex. It may not be until autumn when further information is released on this.
- 3.7 Des Prichard (DP) asked for clarification on which elements are complex.
- 3.8 FC confirmed that the two elements are: Matthews' interaction with McCloud and secondly the aggregation issue and who is affected. There is also a need to identify the different cohorts. There are believed to be three groups who will be impacted in different ways. The next stage would be testing this with lawyers and seeing how this fits with the existing regulatory structure. FC pointed out that there is also the impact of the 2015 scheme coming in which needs to be considered.
- 3.9 DP pointed out that FRAs are finding data a challenge from his experience as there is Matthews and McCloud to find data for and data is stored differently between services.
- 3.10 Anthony Mooney (AM) asked DP if this was an issue with historic data. DP confirmed that this was the case.

- 3.11 AM confirmed that the Home Office has been working with the LGA regarding cases where data may not be available and where standard data may need to be used. AM confirmed that there will be the opportunity for input at consultation stage but that if anyone has any suggestions as to how this can be overcome then to contact the Home Office with those. DP confirmed that he will contact Ian Hayton at NFCC for views.
- 3.12 JL confirmed that it is important that work arounds are found and that they can be identified as early as possible. AM pointed out that the preferred option is for FRAs to use actual data where they have this and where they can use reasonable endeavours to get this data.
- 3.13 CH confirmed that there will be a Matthews Working Group set up to take this work forward. CH also confirmed that they had contacted NFCC already about the data challenges and had contacted an FRS which has the biggest on-call numbers. CH added that the LGA will be discussing a data governance strategy with GAD which will all feed into helping FRAs in this project.
- 3.14 FC explained that they need to know what data is there and can be accessed so that they can then work out what data is missing or that cannot be accessed.
- 3.15 CH confirmed that SAB representatives and NFCC on-call leads will form part of the working group.
- 3.16 FC updated the group on McCloud stating that the first SAB engagement session is on 24 June 2022 which is being held jointly with Police SAB. The topics are eligibility and interest. FC said that these two topics are similar for Police and Fire but as time goes on, these sessions can be adapted to ensure that they work for the FPS. The sessions are designed for views to be heard from SAB and to contribute to policy development.

- 3.17 FC confirmed that after engagement with Board members on a variety of topics over the next few months, a formal, statutory consultation will take place.
- 3.18 Cllr. Roger Phillips (RP) said that this sort of engagement is welcomed which would hopefully mean that the consultation is more of a formality.
- 3.19 JL asked if, because some topics overlap, there will be the opportunity to come back to them. FC confirmed that this will be the case and that the sessions have been structured to build knowledge up as they go along.

4. SPPA Update

- 4.1 JL asked Alan Wilkinson (AW) to give an update on the early impact of the removal of the commutation cap in Scotland.
- 4.2 AW gave a brief background on the reasons why removing the cap had been considered and confirmed that the cap had been removed from 1 April 2022. AW confirmed that the amendment did not have retrospective effect.
- 4.3 AW confirmed that the impact for the average individual was to increase their lump sum by an estimated sixty to seventy thousand pounds with a corresponding reduction to the annual pension. AW pointed out that this is actuarially cost neutral.
- 4.4 AW confirmed that there are usually three to four hundred retirements per annum but from 1 April 2022 until today, there had been 282 retirements, which is an increase of 182 so far in the first three months of the year.
- 4.5 AW said that the Scottish Fire and Rescue Service believes that the move into CARE from 1 April 2022 will have had an impact on these numbers and the retirements in question were approaching thirty years' service anyway.

- 4.6 AW confirmed that early indications show that retirements are returning to pre-April 2022 levels from July 2022 but that they still need another three to four months to properly confirm this.
- 4.7 JL asked if the sixty-to-seventy-thousand-pound reference included those people whose lump sums would be classed as an unauthorised payment. AW said that they weren't unauthorised, and they can take twenty five percent as a lump sum. Sam Watts (SW) noted in the chat bar that members exceeding the maximum tax-free cash lump sum would be subject to an unauthorised payment charge on any excess.
- 4.8 CM asked if there was a breakdown between those under age 55 and those taking a larger lump sum. AW confirmed that exact figures are not available at the moment but that the number of general retirements is 182 higher than expected and possibly due to the CARE scheme provisions being applied from April 2022. More time is needed to assess the impact.
- 4.9 RP agreed more time is needed; ideally twelve months' to allow a full analysis of the impact.
- 4.10 DP asked, if this is actuarially neutral on what basis would objections be made if it was introduced elsewhere. AW indicated that there would be an upfront cost for paying the bigger lump sum and workforce planning issues.
- 4.11 CM explained that firefighters in England and Wales already have that option if the employer agrees to fund it but asked what the situation was in Scotland before this. AW confirmed that operational costs were unaffected due to the scheme being centrally funded.
- 4.12 Helen Scargill (HS) added that WYPF has seen an increase in firefighters retiring and taking the restricted lump sum a few months before April 2022 and therefore believes that it may not be the change in commutation provision which has caused this.

- 4.13 Mark Rowe (MR) confirmed that the FBU's position is that they would like to see these amendments made in England but are also aware of the issues in relation to workforce planning.
- 4.14 Glyn Morgan (GM) asked for the item to be kept on the agenda as it is too soon to use this information to make a request for change.
- 4.15 CH asked why there was a commutation cap in the first place. AM stated that the reason was unclear but may have been an old tax rule.
- 4.16 JL confirmed that commutation will be kept on the agenda for future meetings.
- 4.17 PH asked if it was known whether any fire stations were closing in Scotland because of this. AW confirmed that he was not aware of any at this time.

5. 2020 valuation assumptions (GAD)

- 5.1 SW and Brian Allan (BA) provided a presentation on the setting of the 2020 Valuation Assumptions concentrating on four specific assumptions.
- 5.2 CM asked about the quality of the 2020 data as one in three FRA's data was excluded in 2016 due to missing data. SW confirmed that the 2020 data was much better. At the last valuation an uprating factor of 1.03 had been applied to date, broadly reflecting the fact that around 3% of the data was unusable. For the current valuation, the uprating factor had reduced by around a half to around 1.015.
- 5.3 DP asked if any consideration will be given this time to the effect that the discount rate has on the FPS. SW confirmed that the discount rate is a key aspect due to the substantial past service costs in the FPS and the discount rate impacts on every single payment which comes out of the scheme, which does mean that the FPS is affected on a greater scale than other public service sector schemes. SW confirmed however that the discount rate is set under Treasury Directions across all public service sector schemes and so is not able to be negotiated.

- 5.4 CH confirmed that the SAB response to the consultation had highlighted the impact of the discount rate on the FPS.
- 5.5 BA talked through the four Home Secretary led assumptions on the slides: Withdrawal, promotional pay, age retirement and commutation.
- 5.6 BA detailed that the number of those leaving before retirement had been higher than they expected and asked SAB members if they thought this was likely to change.
- 5.7 PH asked if the figures were for wholetime or retained firefighters. BA confirmed that the figures were for wholetime firefighters with retained figures not available today. SW confirmed for PH that the retained figures were less sensitive and so that is why they are concentrating on wholetime firefighters.
- 5.8 CM asked if a weighting approach will be used when setting the assumptions, as two time periods are shown on the slides. CM also asked if GAD could explain the cost of the proposed assumptions. BA confirmed that it is likely to be a blended approach and that if firefighters are leaving earlier, with therefore less salary increases, then this will have a downward effect on costs.
- 5.9 CM explained that while costs are useful information, the Board should not rely solely on costs when deciding on assumptions.
- 5.10 MR asked whether the graphs reflect the point at which people left service or left the pension scheme, BA confirmed that it was date of leaving the pension scheme.
- 5.11 As an administrator, HS explained that there has been an increase in firefighters leaving and being employed again for another period so pension records are joined, therefore the figures may reflect this pattern. CH confirmed with HS that this was unlikely to be 1992 scheme members.

- 5.12 GM explained that it is not clear whether people are leaving earlier due to scheme changes.
- 5.13 DP agreed that it is too early to say if patterns will change and if people will remain in service, albeit not in the pension scheme. SW confirmed that some workforce statistics exist but that it is difficult to compare to ten years ago.
- 5.14 HS questioned why the graph could be showing the biggest number of leavers in the 1992 scheme just before age fifty. SW confirmed this is the case but that the data may hold some misclassifications around retirement therefore they will do a smoothed approach to the assumptions.
- 5.15 MR explained that in his view the pattern of higher withdrawals will continue, and withdrawals may increase further due to changes in the fire service, for example the requirement in some services to join as a wholetime firefighter and take on a retained role as well. Additionally, the scheme's normal retirement age of 60 may encourage opt outs. MR added that it is necessary to look at data in more detail, for example between male and female firefighters. BA confirmed that they have figures for both male and female but that they do not look at females in isolation due to this being a small group.
- 5.16 SW suggested deferring further questions to the cost-effectiveness committee.
- 5.17 BA went on to discuss promotional pay through the slides, pointing out that this has a big impact on employer contribution rates. BA asked if there are any anticipated or recent events which are expected to affect promotional pay.
- 5.18 HS said that as the earlier slides indicate that members are leaving before retirement in greater numbers, this would increase the likelihood of there being promotional opportunities.

- 5.19 DP pointed out that the White Paper may open the way for more senior level staff to be recruited from outside of the fire service so this might impact on current staff obtaining promotion.
- 5.20 PH explained that promotional prospects are not as prevalent for retained staff than for wholetime staff due to the requirement to work at a station within eight minutes from home.
- 5.21 Janet Perry (JP) asked for clarification on the purpose of the tables and how it interacted with general wage inflation. BA confirmed that it is looking at the relevant level of salaries for members of different service periods in the snapshot data. JP asked about grades for firefighters. HS confirmed that there are levels of competencies within the roles.
- 5.22 BA explained the slides relating to the final two assumptions of age retirement and commutation.
- 5.23 RP suggested that this information should be taken back to the cost-effectiveness committee for consideration.

ACTION 23.06.2022 (5.23): This item is to be taken to the cost-effectiveness committee to consider the 2020 valuation assumptions in further detail.

6. Contingent Decisions: [Paper 1](#)

- 6.1 CH summarised the paper which gave the SAB an understanding of the categories of contingent decisions.
- 6.2 RP pointed out that consistency will be an issue with contingent decisions and a sensible line of approach is needed.
- 6.3 MR believes that consultation response sections 96-98 in the paper are unclear because it does not state who qualifies for a contingent decision. CH explained that the consultation response referred to these being decided on a scheme manager by scheme manager basis, so the LGA is looking at the possibility of a central decision maker.

- 6.4 AM confirmed that the Home Office is still developing the policy for contingent decisions and there is a SAB engagement meeting on 9 November 2022.
- 6.5 JL expressed a view that there needs to be a process in place for people to raise their contingent decisions, there needs to be someone who will make the decision, and there needs to be an oversight process.
- 6.6 DP expressed concerns over inconsistencies over 44 scheme managers and asked if it was possible to get a view from the Fire Services Management Committee. CH offered to take this forward through that forum.

ACTION 23.06.2022 (6.6): LGA to discuss approach to contingent decisions with FSMC to ensure consistency of application.

7. Action Summary Update and Review: [Paper 2](#)

- 7.1 CH went through the recently closed actions. These included the future of administration under action 03.10.2019 (6), the issuing of informal abatement guidance under action 17.09.2020 (5.3), commissioning work on illustrative scenarios under action 30.09.2021 (5.19) and software supplier presentations to SAB on retrospective remedy under action 24.03.2022 (9.9).
- 7.2 CH requested that the ill-health working group action is un-paused and asked the board for volunteers to take part in this group. The terms of reference will be derived from the 2008 review group. Volunteers will be nominated by the Chair and vice-chairs if there are no volunteers. Claire Johnson will be leading this group.
- 7.3 CH went through the historic outstanding actions. CH suggested closing action 26.05.2016 (3) to note that past service costs are potentially a risk to the cost cap valuation and to move this as a new action over to the Cost-effectiveness committee for the 2020 valuation. This was agreed.

- 7.4 CH explained that the setting up of the Matthews working group is in progress and that a draft project implementation document has been created with a suggested terms of reference for the group. CH will circulate this to the SAB.
- 7.5 CH confirmed that there was an action of 3 October 2019 relating to a tax working group originally postponed due to the pandemic. CH suggested that this remains postponed to 2023, following remedy implementation. This was agreed.
- 7.6 CH suggested carrying over the outstanding actions of 11 June 2020 in relation to temporary positions and retrospective pensionable pay corrections as fresh agenda items in September 2022. This was agreed by the SAB.
- 7.7 CH suggested that the action of 18 March 2021 relating to assumptions for the 2016 cost control valuation is closed, and a new action relating to the 2020 valuation assumptions is created under the cost-effectiveness committee. Again, this was agreed.
- 7.8 JP asked whether the closed action relating to the SAB's letter to HMT should be re-opened. JL agreed that upon HMT's reply, a new action would be opened to consider the response.
- 7.9 MR volunteered to take part in the working groups for ill-health and Matthews.

8. SAB membership, committees, and training: [Paper 3](#)

- 8.1 CH summarised the paper and encouraged members to review their information on the SAB website and inform the secretariat of any updates needed. CH explained that a vice-chair is needed from the member representative side following Matt Lamb's retirement.
- 8.2 CH confirmed that the LGA will be looking to organise the three committees to resume meetings soon. Each committee will be sponsored by a member of the LGA Fire pensions team.

- 8.3 Vacancies exist for a Chair on the Local Pension Board effectiveness committee as well as an employer representative, an employer representative on the cost-effectiveness committee, a practitioner and LPB representative for the scheme management and administration (SMA) committee plus an employer representative.
- 8.4 CH added that there is a requirement for SAB and LPB members to have a sufficient level of understanding and knowledge to carry out their duties effectively. A training needs analysis document will be sent round to members after the meeting in order to develop individual training logs. This needs to be completed by 31 July 2022.
- 8.5 CH confirmed that an induction/ refresher session on scheme provisions and key stakeholders will take place before the end of the year.
- 8.6 RP said that he would help to gather interest in any of the vacancies. DP added that SMA Committee does valuable work which helps the SAB. JP offered to be considered for a role on the cost-effectiveness committee.

ACTION 23.06.2022 (8):

- i. Board members to check the SAB web page and advise the Secretariat of any changes which need to be made to their details.**
- ii. Board member representatives to nominate SAB vice-chair.**
- iii. Board members to nominate replacement committee members for each vacant position.**
- iv. Board members to complete training needs analysis document by 31 July 2022.**

9. Software supplier updates: Heywood Pension Technologies/Civica

- 9.1 Matthew Armitage (MA) and Tim Hill (TH) joined the call from Heywood Pension Technologies and introduced themselves.

- 9.2 MA proceeded with a presentation which set out the progress that has been made over the last twelve months in terms of the six phases of the McCloud remedy solution. Phase one is nearly complete and they are working with stakeholders to agree phase two.
- 9.3 TH explained the progress which had been made on the system including new calculations and data views such as a standalone CARE tranche for the remedy period.
- 9.4 MA highlighted the complex nature of the project and the barrier of not knowing the full details of policy and legislation yet.
- 9.5 TH explained that they can only proceed with standard cases currently as guidance is awaited on transfer in cases, divorce cases, pension offset cases, contributions, and interest.
- 9.6 MA finished the presentation by going through future phases and implementation. MA confirmed that they are drafting a joint letter with CLASS to DLUHC and Home Office to express their concerns.
- 9.7 DP asked if one of the challenges was in relation to annual allowance tax. TH confirmed that was the case.
- 9.8 MA confirmed that Fire customers are represented in the CLASS group. JL asked if LGA and NPCC were involved in CLASS. MA confirmed this was the case and that Fire stakeholders are involved in regular user groups, conferences, and engagement.
- 9.9 JL asked how much of the overall project was involved in phase one. MA confirmed that they were broadly equally split but not all phases needed to be done before October 2023.
- 9.10 RP stated that it was critical that this is on the risk register and that it is imperative that clarity is sought from government.

- 9.11 Cllr. Roger Price (RPR) said that it was imperative that this gets done and asked if there is anything the SAB could do to pressurise government to get the information quicker.
- 9.12 JL said that it was important to keep monitoring progress on the different stages involved and keep conversations going. Letters can be written where appropriate to do so. CH pointed out that Heywood Pension Technologies have agreed to share the letter that they intend to send to the Home Office with the LGA and suggested that the SAB could use this letter as a basis to escalate issues if required.
- 9.13 JL thanked MA and TH for their presentation and they left the call. Jenny Gregory (JG) from Civica joined the call.
- 9.14 JG provided the group with a presentation on Civica's progress with regard to McCloud.
- 9.15 JP asked for details about a risk register and the mitigations which have been put in place due to this being a high-risk project. JG confirmed that there is a RAID, risk register, and details of the mitigation which is in place. This would then give a residual risk score.
- 9.16 JL asked JG to what extent she believed that finalisation of policy was needed to progress with the stages involved. JG stated that there is always going to be the need to re-work some areas until all final policy decisions are known but that less complex cases could be done earlier. This means that the code can be tested earlier for those cases and then adjusted if necessary.
- 9.17 JG explained that the Civica system is modular so modules can be removed and added. Placeholders can also be added where it is known that the system needs to be revisited in a particular area.
- 9.18 JG explained that it is likely that some adjustments may be needed beyond October 2023 if intent is unclear, and this has been considered in the timeline.

10. Administrator remedy self-assessment survey: Paper 4

- 10.1 CH asked the SAB to note the contents of the paper for this meeting. A more in-depth look at the results will occur at the September meeting when some recommendations can be made.
- 10.2 CH highlighted that TPR have just issued a research report on pension administration and the results from the LGA survey will be cross-referenced against TPR's survey to look for similarities and discrepancies.
- 10.3 CH added that the LGA has visited key administrators who have more than one FRA to discuss processes in relation to remedy which is an ongoing process.

11. FPS AGM: Paper 5

- 11.1 CH summarised the paper which confirmed the background and a proposed agenda for the AGM.
- 11.2 CH asked the board to approve the expenditure for the AGM.
- 11.3 MR asked where the AGM is to be held. CH confirmed that it will be held at Smith Square, London.
- 11.4 DP queried the difference in price between the two days. CH explained that day one is a half day and day two is a full day with lunch.
- 11.5 JL confirmed that approval had been granted.

12. Any other business and date of next meeting

- 12.1 No items of AOB were received.
- 12.2 The date of the next meeting was confirmed as 8 September 2022 to be held at the LGA offices in Smith Square, London.